

**WINWELL VENTURES INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF WINWELL VENTURES INC.

We have audited the accompanying financial statements of Winwell Ventures Inc., which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Winwell Ventures Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
February 27, 2017

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**WINWELL VENTURES INC.**  
 Statements of Financial Position  
 December 31  
 (Expressed in Canadian Dollars)

	2016	2015
<b>Assets</b>		
Current		
Cash	\$ 656,905	\$ 952,362
GST receivable	5,129	810
Loan receivable (Note 9)	200,000	-
	<b>\$ 862,034</b>	<b>\$ 953,172</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 92,231	\$ 51,561
<b>Shareholders' Equity</b>		
Capital Stock (Note 5)	1,640,087	1,640,087
Deficit	(870,284)	(738,476)
	769,803	901,611
	<b>\$ 862,034</b>	<b>\$ 953,172</b>

Approved by the Board:

*"Murray Oliver" (signed)*  
 .....Director

Murray Oliver

*"William McCartney" (signed)*  
 .....Director

William McCartney

**WINWELL VENTURES INC.**  
 Statements of Comprehensive Loss  
 Years Ended December 31  
 (Expressed in Canadian Dollars)

	2016	2015
<b>Expenses</b>		
Consulting fees (Note 6)	\$ 30,000	\$ 30,000
Accounting and audit (Note 6)	8,250	8,080
Transfer agent and filing fees	5,387	6,235
Legal (Note 6)	87,680	4,686
Administrative	491	270
<b>Net Loss and Comprehensive Loss for the Year</b>	<b>\$ 131,808</b>	<b>\$ 49,271</b>
<b>Basic and Diluted Loss Per Share</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>22,155,978</b>	<b>22,155,978</b>

**WINWELL VENTURES INC.**  
 Statements of Cash Flows  
 Years Ended December 31  
 (Expressed in Canadian Dollars)

	2016	2015
<b>Operating Activities</b>		
Net loss	\$ (131,808)	\$ (49,271)
Changes in non-cash working capital		
GST receivable	(4,319)	(198)
Accounts payable and accrued liabilities	40,670	31,192
<b>Cash Used in Operating Activities</b>	<b>(95,457)</b>	<b>(18,277)</b>
<b>Investing Activity</b>		
Loan receivable	(200,000)	-
<b>Decrease in Cash</b>	<b>(295,457)</b>	<b>(18,277)</b>
<b>Cash, Beginning of the Year</b>	<b>952,362</b>	<b>970,639</b>
<b>Cash, End of the Year</b>	<b>\$ 656,905</b>	<b>\$ 952,362</b>
<b>Supplemental Cash Flow Information</b>		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

**WINWELL VENTURES INC.**Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Capital Stock		Deficit	Total
	Number	Amount		
Balance, December 31, 2014	22,155,978	\$ 1,640,087	\$ (689,205)	\$ 950,882
Net loss	-	-	(49,271)	(49,271)
Balance, December 31, 2015	22,155,978	1,640,087	(738,476)	901,611
Net loss	-	-	(131,808)	(131,808)
Balance, December 31, 2016	22,155,978	\$ 1,640,087	\$ (870,284)	769,803

## **WINWELL VENTURES INC.**

Notes to the Financial Statements  
Years Ended December 31, 2016 and 2015  
(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS**

Winwell Ventures Inc. (the "Company" or "Winwell") was incorporated under the Yukon *Business Corporations Act* on May 26, 2000. On June 14, 2006, the Company changed its name from Nutramed Capital Corp. to Winwell Ventures Inc., and changed its governing jurisdiction from Yukon Territory to British Columbia pursuant to the British Columbia *Business Corporations Act*. The Company's head office is 328 West 20 Avenue, Vancouver, British Columbia, Canada, V5Y 2C6.

On December 8, 2016, the Company announced that it agreed to complete a series of transactions with Carlin Opportunities Inc. ("Carlin") and Waterton Precious Metals Fund II Cayman, LP ("Waterton") that will result in Winwell acquiring Clover Nevada II LLC ("Clover Nevada") from a subsidiary of Waterton (being, Waterton Nevada Splitter, LLC ("Waterton Nevada")). The proposed transactions will be effected through a securities exchange agreement (the "Securities Exchange Agreement") and an arrangement agreement (the "Arrangement Agreement"). The transactions are conditional on Carlin raising net proceeds of \$20,000,000 in financing transactions with closing occurring within 18 months, and other customary conditions. See Note 9.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for financial assets classified as fair value through profit or loss ("FVTPL"), which are measured at fair value.

Additionally, these financial statements have been prepared on an accrual basis, except for cash flow information.

The financial statements are presented in Canadian dollars unless otherwise noted, which is the functional currency of the Company.

The policies applied in these financial statements are based on IFRS issued and outstanding as of December 31, 2016. These financial statements were approved and authorized for issuance by the Company's Board of Directors on February 27, 2017.

#### **Use of judgments and estimates**

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

The Company has identified the following critical accounting policies under which significant estimates and assumptions are made where actual results may differ from these estimates and may materially affect financial results reported in future periods: collectability of loan receivable, recognition of deferred tax assets and balance of accrued liabilities.

**WINWELL VENTURES INC.**

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Financial instruments**

All financial instruments are classified as one of the following: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity, available-for-sale or other financial liabilities. Financial assets and liabilities at FVTPL are measured at fair value with gains and losses recognized in profit or loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

**Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as capital stock and the related option reserve is transferred to capital stock. Charges for options that are forfeited before vesting are reversed from share-based payments reserve.

**Income taxes**

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.



## **WINWELL VENTURES INC.**

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Earnings (loss) per share**

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

#### **New standards, amendments and interpretations not yet effective**

Certain new standards, interpretations and amendments to existing standards are not yet effective as of December 31, 2016 and have not been applied in preparing these financial statements.

#### ***Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)***

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Effective for annual periods beginning on or after January 1, 2018.

#### ***IFRS 9 Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Effective for annual periods beginning on or after January 1, 2018.

## **WINWELL VENTURES INC.**

Notes to the Financial Statements  
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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **New standards, amendments and interpretations not yet effective (Continued)**

##### ***Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)***

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective for annual periods beginning on or after January 1, 2017.

### **3. FINANCIAL INSTRUMENTS**

The Company classifies its cash as held-for-trading; and accounts payable and accrued liabilities, as other financial liabilities. Instruments classified as held-for-trading are measured at fair value with realized gains and losses recognized in profit or loss. The loan receivable is measured at face value.

#### **Fair value**

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Market risk; and
- Liquidity risk.

#### **Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to its cash and loan receivable. The Company manages exposure to credit risk on liquid financial assets through maintaining its cash with major Canadian financial institutions for which management believes the risk of loss to be minimal.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risk is comprised of three types of risk: interest rate risk, foreign currency risk and other price risk. As at December 31, 2016, the Company is not exposed to significant market risk.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity risk through maintaining sufficient cash on hand to meet its obligations as they become due. As at December 31, 2016, the Company had cash of \$656,905 (2015 - \$952,362) and accounts payable and accrued liabilities of \$92,231 (2015 - \$51,561) due within three months of year-end.

**WINWELL VENTURES INC.**

Notes to the Financial Statements  
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**4. CAPITAL DISCLOSURES**

The Company considers its capital under management to be shareholders' equity. The Company's capital management objectives are to ensure the Company continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative criteria for management, but rather relies on management's expertise to sustain future development. Management will adjust the capital structure as necessary to achieve the objectives.

The Company's capital management strategy has not changed from December 31, 2015. At December 31, 2016, the Company is not subject to any externally imposed capital requirements.

**5. CAPITAL STOCK AND RESERVES****Authorized**

Unlimited common shares without par value

**Share issues**

No shares were issued during 2016 and 2015.

**6. RELATED PARTY TRANSACTIONS**

The Company incurred the following fees and expenses in the normal course of operations with companies owned or affiliated by key management, directors and officers:

	2016	2015
Consulting fees	\$ 30,000	\$ 30,000
Accounting	3,150	3,000
Legal	-	4,686
	<u>\$ 33,150</u>	<u>\$ 37,686</u>

Consulting fees are paid or payable to a company controlled by a director of the Company. Accounting fees are paid or payable to an officer of the Company. Other than amounts discussed above, there were no short-term employee benefits or share-based payments paid to key management personnel during the years ended December 31, 2016 and 2015.

During the year ended December 31, 2016, the Company paid \$Nil for legal services (2015 - \$4,686) to a law firm in which the former secretary of the Company is a principal.

Accounts payable at December 31, 2016 included \$75,000 (2015 - \$45,000), which is due to a company owned or affiliated by a director.

**WINWELL VENTURES INC.**

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

**7. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.0% (2015 - 26.0%) to income before income taxes. The reasons for the differences are as follows:

	2016	2015
Loss before income taxes	\$ (131,808)	\$ (49,271)
Statutory income tax rate	26.0%	26.0%
Expected income tax	(34,270)	(12,810)
Change in timing differences	2,003	18,866
Unused tax loss not recognized in tax assets	32,267	(6,056)
	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Non-capital losses	\$ 739,300	\$ 607,489
Cumulative eligible capital	102,369	37,597
	\$ 841,669	\$ 645,086

The Company's unrecognized non-capital tax losses have the following expiry dates:

2026	\$ 82,700
2027	60,700
2028	52,800
2029	57,300
2030	56,800
2031	76,700
2032	61,800
2033	58,200
2034	51,200
2035	49,300
2036	131,800
	\$ 739,300

## **WINWELL VENTURES INC.**

Notes to the Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### **8. COMMITMENT**

The Company has an agreement with a related party (Note 6) for the provision of consulting and administrative services at the rate of \$2,500 per month and an additional fee of \$50,000 payable upon the listing of the Company's shares on the TSX Venture Exchange ("TSXV") or any other recognized quotation system.

### **9. ARRANGEMENT AGREEMENT**

On December 8, 2016, Winwell and Carlin, among other things, entered into an Arrangement Agreement, whereby, among other things, Winwell will acquire 100% of the issued and outstanding shares of Carlin (the "Arrangement"). Prior to completion of the Arrangement, Winwell will complete a share consolidation on the basis of 1 new common share in the capital of Winwell (the "Winwell Shares") for every 8 existing Winwell Shares. Carlin will exchange all of its shares for Winwell Shares (on a post-consolidation basis) to shareholders of Carlin on a 1 to 1 basis. Upon completion of the Arrangement, Carlin will become a wholly owned subsidiary of Winwell.

Completion of the Arrangement is subject to a number of conditions, including but not limited to, Carlin completing a private placement of at least CAD\$20,000,000 (the "Private Placement"), approval of the shareholders of the Company and the TSXV. Such approvals, if granted, are expected to be received subsequent to the date of approval of these financial statements.

Winwell, Carlin, Waterton Nevada and Clover Nevada have also entered into the Securities Exchange Agreement pursuant to which, and in connection with and after completion of the Arrangement, Winwell will change its name to Contact Gold Corp. ("Contact Gold"), continue under the laws of Nevada and then acquire all of the issued and outstanding securities of Clover Nevada, which is the holder of the Carlin Trend Properties, in exchange for the issuance of common shares (the "Contact Gold Shares") and preferred shares (the "Contact Gold Preferred Shares") of Contact Gold to Waterton Nevada or its designee and a cash payment of CAD\$7,000,000 (the "Asset Acquisition", and together with the Arrangement, the "Transactions").

Upon completion of the Transactions, and after completion of the Private Placement, Waterton Nevada or its designee will own approximately 37% of the issued and outstanding Contact Gold Shares and 100% of the issued and outstanding Contact Gold Preferred Shares. The Contact Gold Preferred Shares will be issued at a value of CAD\$15,000,000 but will have a redemption value in US dollars, a maturity date of five years from the date of issuance and a cumulative cash dividend at a fixed rate equal to 7.5% per annum. The Asset Acquisition is subject to a number of conditions, including the implementation of the Arrangement, the completion of the Private Placement, and other customary conditions

As at December 31, 2016, the Company has a \$200,000 loan receivable from Carlin in connection with the Arrangement. The loan is unsecured, non-interest-bearing and due on demand in the event that the Arrangement Agreement is terminated. On completion of the Transactions, the \$200,000 owed to the Company will be used as a partial payment of the \$7,000,000 cash consideration. As of the date of this report, the Arrangement has not yet been completed.